

FISCAL NOTE

Bill #: SB0077

Title: Prevailing Wage Law

Primary

Sponsor: Bob Keenan

Status: As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Expenditures:	\$0	\$0
Revenue:	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

ASSUMPTIONS:

1. The bill clarifies the current contractual practice by the Department of Public Health and Human Services (DPHHS) regarding prevailing wage requirements.
2. The DPHHS does not currently include prevailing wage law requirements in its human services contracts.
3. Because this bill does not change the current practice of contracting for human services without prevailing wage requirements, there is no fiscal impact shown above
4. If the bill does not pass, the DPHHS may be subject to the requirements of the current prevailing wage law.
5. There will be a substantial increase in cost to DPHHS programs contracting for human services if the prevailing wage law applies to those human services contracts.
6. The Governor's Executive Budget was prepared with the assumption that human services contracts under DPHHS will continue under current practice (i.e. not subject to prevailing wage requirements).

TECHNICAL NOTES:

1. The Department of Public Health and Human Services (DPHHS) has been recently advised by legal counsel that many of its contracts may be subject to the requirements of the current prevailing wage law. Contracts for the delivery of "human services" have for many years been exempt from the requirements of the competitive

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bidding process. It was believed that these contracts were also exempt from the prevailing wage law. If the department were to require the payment of prevailing wages into its contracts for "human services", significant and substantial additional costs would be incurred. If the department fails to include the requirements of the prevailing wage into its contracts, the department is liable for these additional costs.

The department has formal contractual relationships with over 2500 entities and individuals. In addition, there are over 6000 medicaid providers of services under fee reimbursement arrangements that may be subject to the prevailing wage law. It is difficult for the department to determine if the particular services subject to the prevailing wage law exceed the \$25,000 threshold. In most instances, the contracts include a combination of services; not all of these services are subject to the payment of prevailing wages. Thus, the dollar impact upon the department is not able to be estimated.